

E-mail from Angela Mah, Media Relations, Air Canada
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Classification: **GENERAL BUSINESS/AFFAIRES GÉNÉRALES**

Hi Erica, here is detailed information regarding your questions. Firstly, there is a difference between overbooking vs overselling.

Overbooking is a situation where there are more passengers than available seats due to having a smaller aircraft than originally scheduled operate a flight because the original aircraft is no longer available. The vast majority of the relatively few cases where customers are denied boarding because there are not enough seats are in fact due to overbooking situations. This is an unavoidable reality for all airlines.

This occurs on our major competitor as well. Please see:

<https://www.cbc.ca/news/business/nova-scotia-cycling-team-westjet-bumped-flight-1.4162822>

A different situation is overselling, where more tickets than seats are sold for a specific flight. The purpose of this is to ensure aircraft fly full, which benefits customers by keeping fares lower and allowing us to operate marginal routes, thereby giving customers more travel options. The CTA has recognized the consumer benefits of overselling and has ruled it is an acceptable practice on at least two occasions.

The airline industry jargon for passengers who do not show up for a flight is a “no-show” (which is not to blame the customer). We use extensive historical data and complex algorithms to project the “no-show” factor for select flights, where there are opportunities to reduce lost revenue by conservatively over-selling without denied boarding resulting. Overselling is very carefully managed and in fact, accounts for less than 1% of passengers booked, with only a fraction of those cases resulting in denied boarding. We flew approximately 51 million customers in 2017/18 and the CTA received 106 denied boarding complaints about Air Canada, or 0.0002 per cent of customers.

Regarding other airlines, the Air Canada and WestJet business models have fundamental differences, so comparisons are incorrect. Air Canada is the only full service network carrier in Canada. We operate almost 3.5 times as much capacity as WestJet, and Air Canada’s route network is vastly more complex, with twice as many destinations served, including approximately 40 international destinations at Air Canada versus 4 for WestJet. WestJet does not have as much connecting traffic, particularly for

international traffic where no-show rates are higher. (During a Dec. 4, 2018 Investor Day presentation, WestJet President Ed Sims said Swoop is deliberately avoiding connectivity to reduce complexity.)

More than 80% of Air Canada's flights in 2018 had no-shows, with some routes having an average no-show rate of close to 14%. No-shows are costly because that seat is unable to be re-sold, and is subsequently flown empty. Customers who "no-show" are often provided another seat at no cost. Overselling mitigates this cost rather than passing these costs onto all customers.

Our airport employees receive training to address a range of operational scenarios they may encounter, including handling denied boarding situations. Our employees are coached to manage such situations with empathy and helpful assistance. We pay compensation to affected passengers, we confirm them for the next available flight, and we also rebook customers on other airlines and pay for hotel accommodations and meals in many situations when an overnight is involved. We encourage and foster open communication with employees as we provide factual information about our business, and we regularly use their feedback to constructively improve and refine our customer processes and procedures.

There are a number of misconceptions and inaccuracies in what your sources have told you, and are specifically addressed here (Air Canada responses in blue):

- Air Canada oversells flights on a daily basis, to numerous destinations
- Overselling is a recognized industry practice by network carriers and has been approved twice by the CTA. The rate of overselling varies considerably with routing, aircraft type and time of day, week or year and Air Canada takes a conservative approach on overselling.
- It is particularly distressing to employees (and customers) when flights are oversold to key destinations during peak seasons
- We do not oversell during peak periods.
- Agents are trained to "dupe" customers who have "GTE" printed on their boarding pass (telling them they will get their seat assigned at the gate, when there is no guarantee that will happen)

- The GTE designator allows us to issue boarding passes so customers can get through security to the gate, this gives us additional time to finalize the flight load and assign seats.
- Agents are told by trainers not to tell customers that they don't have a guaranteed seat and that "there's no reason to worry"
- In the vast, vast majority of cases, we correctly estimate how many people will not show-up so denied boardings do not occur in most oversell cases.
- They feel forced to "lie" to customers, and say it takes a toll on agents' health
- Our agents are trained to explain the process to customers and be transparent.
- Until recently, passengers with "GTE" on their boarding pass were also given a special yellow "STANDBY" overlay tag - agents were trained to tell all passengers that they will get on their flights, and the only reason the tag is going on is because a seat number hasn't be assigned yet and will be done at the gate.
- Again, GTE on the boarding pass indicates that a seat will be assigned at the gate once the passenger load is finalized.
- These yellow "STANDBY" tags were done away with recently, because too many people were figuring out they didn't have seats
- The yellow tags have been replaced by new streamlined processes.
- The yellow tags have been replaced by new technology that requires bags be scanned, but some smaller flights (to Victoria, Nanaimo, etc.) don't have scanners, making it difficult to pull a bag off a plane if a passenger is bumped due to overbooking
- We continually revise our processes and as with any large organization, when new technology is introduced it is sometimes done in phases. I would also note that on routes with smaller aircraft, the *rate or percentage* of any overselling is much lower and in many cases zero.

- This leads to flights leaving with a passenger's bag, but not the actual bag owner - a safety violation
- In those rare instances where customers are denied boarding by the airline, different protocols in accordance with Transport Canada requirements are followed, so this not correct.
- Planes on major routes are "often" downgauged because seats are only partially sold and most people could be put on a smaller plane - resulting in people being bumped, so the airline can save on fuel and crew costs.
- This is incorrect and we do not do this. Our schedule is complex and entails an aircraft moving from A to B to C to D and so on throughout the day. All our aircraft are very full (86% full on average in the last quarter), are already fully deployed in our schedule, and therefore one cannot substitute a smaller aircraft without disrupting the schedule throughout the rest of the system.
- They feel the practice of overselling is a tactic that forces passengers to pay for seat selection ahead of time - when that should be included in the price of a flight
- Customers like the options available in our branded fares as they allow those customers to buy only the fare attributes they want. This is about consumer choice. It is one reason we carried a record number of 51 million customers last year.

Sincerely,
Angela